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DIRECTORATE OF  
INTELLIGENCE

# Intelligence Memorandum

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*Brazil Widens its Horizons*

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CENTRAL INTELLIGENCE AGENCY  
Directorate of Intelligence  
26 May 1972

## INTELLIGENCE MEMORANDUM

Brazil Widens its HorizonsSummary

Under President Emilio Medici, Brazil is seeking the important place in hemisphere and world affairs that Brazilians believe the nation is destined to play. The Medici administration's increasing attention to foreign affairs is made possible primarily by Brazil's solid political and economic progress since the military overthrew the chaotic regime of President Joao Goulart in 1964. During the intervening eight years, three authoritarian military-backed administrations have dramatically lowered the rate of inflation, achieved impressive economic growth, reduced government corruption, and obtained considerable public support. In the process, the government has suspended many democratic procedures, curbed civil rights, and harshly repressed those engaging in or suspected of subversion. In spite of this, a large majority of politically conscious Brazilians seems enthusiastic over the nation's strengthened sense of national destiny and evident signs of progress.

The administration's basic foreign policy goals include protecting national integrity (identity, territory, resources, economy) from foreign domination or undue influence, achieving a voice in hemispheric affairs second only to that of the US, and--ultimately--achieving recognition as one of the important voices in world councils.

*Note: This memorandum was prepared by the Office of Current Intelligence and coordinated within CIA.*

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Visible signs of this attention to foreign relations were Medici's trip to Washington last December and the frequent travels and contacts of Foreign Minister Gibson Barboza last year. Gibson Barboza visited or hosted the foreign ministers of most South and Central American countries. This year he will visit several countries in the Caribbean and eight in Africa. A principal aim of the diplomatic activity is to strengthen Brazil's position as a spokesman--especially on economic issues--for the developing world. This limited venture into the world of power politics could, if it is pressed too far or hastily, raise uneasiness concerning the ambitions of the giant of South America. Nevertheless, Brazilians are encouraged by what they view as their early success and the diplomatic skill of their foreign minister.

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President Nixon Confers with President Medici

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### Background

1. Historically, Brazil's foreign policy has been notable for its responsibility and pragmatism. Under presidents Quadros and Goulart in the early 1960s, however, a strongly nationalistic policy developed, including harassment of foreign companies, criticism of the Alliance for Progress, and espousal of "third world" doctrines. Relations between Brazil and the US deteriorated greatly as Brazil forged new links with European Communist countries and with the more vocal of the underdeveloped "socialist" states.

2. The revolt by military and civilian leaders that ousted Goulart in April 1964 quickly led to a change in foreign policy. Under President Humberto Castello Branco, Brazil not only returned to its traditionally close ties with the US, but strengthened them to the point that many Brazilians accused the government of "selling itself to the Yankees." Encouraged by opposition politicians and leftists of all stripes, the public tended to associate unpopular economic stabilization programs with the US.

3. When Arthur da Costa e Silva succeeded Castello Branco as president in March 1967, foreign policy shifted toward more popular, nationalistic lines. Led by an ambitious and opportunistic foreign minister, Jose Magalhaes Pinto, the government stressed nationalistic interests. It opposed signing the Nuclear Non-Proliferation Treaty and gave national development top priority. Magalhaes Pinto's efforts to develop the "independent" direction in foreign policy were limited, however, by the need to focus primary attention on domestic political and economic problems.

4. The Medici administration's success in alleviating domestic problems has enabled it to dedicate increasing attention to foreign relations. Medici enjoys the firm confidence of the top military officers who provide the base of his support.

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The level of urban terrorism has been reduced sharply from its peak in 1968-70. Medici has attracted considerable public support for programs such as economic development of the vast Amazon region and its effective integration into the national economic structure. The gross national product has increased over eight percent annually for the past four years. The government claims that the rate of inflation has been cut to under 20 percent per year and hopes to reduce that rate. Exports, which have climbed about 15 percent annually since 1967, amounted to nearly \$3 billion in 1971.

#### Medici and Foreign Policy

5. In his only major foreign policy statement thus far, Medici told the graduating class of the foreign service academy in 1970 that Brazil's foreign policy would be part and parcel of its development plans. Medici said that Brazil was willing to take a tough position in order to reach its goal of economic independence, "which represents in the 20th century what political independence represented in the 19th." He also stressed that Brazil would repel any attempt by any country to restore zones of influence or to impose political views on other nations.

6. The President called for a sharing of technical and scientific knowledge, maintaining that, "We do not believe that the world is going through a scientific and technological revolution only for the exclusive benefit of the most developed nations." He said that Brazil espoused solidarity with other developing nations, particularly those in Latin America. Medici declared that he recognized that Brazil's rapid development occasionally would tend to create conflicts of interest with other countries, but that his government would face this eventuality "with tranquility, without fear or alarm," regarding it as a sign of growth itself. The policies that have been implemented since Medici's speech

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have been much in line with this concept of Brazil as a nation on the threshold of development, one that must look out for its own interests, even at the risk of irritating the economically advanced countries.

### Foreign Policy Formation

7. Medici himself has the final view in foreign policy decisions. The main responsibility for executing the policies lies with the Foreign Ministry



Foreign Minister Gibson Barboza



Finance Minister Delfim Neto

and Finance Ministry. The Brazilian foreign service is probably the most competent in Latin America. Foreign Minister Gibson Barboza and his principal advisers are experienced professionals whose nationalism is based primarily on two principles: vigorous protection of all aspects of Brazil's sovereignty, and promotion of the nation's economic development. The Foreign Ministry's powerful competitor in the external affairs field is the Finance Ministry. This organization's importance arises from the professional skill of its chief and his staff, from its control

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of budget allocations, and from its achievements in promoting economic stability and growth. Minister Delfim Neto is the top civilian in the domestic financial sector, and he also calls most of the shots in foreign economic matters. The Finance Ministry's aggressive pursuit of economic goals abroad has in some cases caused considerable friction with the Foreign Ministry. In at least two instances these divergences have reached the public, and Medici--who has no tolerance for letting news of quarrels get outside the official family--quickly told the two ministries to settle their differences in private.

#### A Spokesman For The Developing World

8. The Medici foreign policy has focused its attention on the developing world. Brazilian officials maintain that their country's great size and human resources, its impressive economic growth, and its common experience with the many problems that hamper other developing nations mean that Brazil can effectively present the case of the developing world to the industrial powers.

9. Brazil has used its impatience for rapid economic development as a tool in its campaign to gain international prestige. Because continued economic growth depends heavily on Brazil's ability to export, the administration has strongly objected to any attempts by developed countries to limit imports from the third world. Brazil has used three methods to broaden access to the markets of advanced nations: finding new markets for its exports, granting fiscal incentives to improve the competitiveness of Brazilian products, and using countervailing power to bargain with developed countries that impose restrictions. Brazil is likely to seek support from other developing nations to make these bargaining techniques more effective.

10. In seeking support from other developing countries, Brazil has played up the economic motives behind the claim it made in 1970 to a 200-mile territorial waters limit. Although several other Latin

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American countries had earlier made similar claims, Brazil adopted the most far reaching position--including jurisdiction over the ocean floor, sea, and air--and has become the strongest defender of the 200-mile thesis. Officially, the government has refused to move from this stand, although it is concerned that Brazil may be isolated if other Latin Americans accept some limitations on their 200-mile claims. The Brazilians want to be sure that the position they adopt for the United Nations Law of the Sea Conference scheduled for 1973 will receive firm backing from other developing countries.

11. Brazil's concern for economic growth also explains its opposition to stringent international ecological standards. The administration maintains that the industrial countries, as the main generators of pollution, must be the nations primarily responsible for improving the environment. Brazilian officials claim that their environmental problems are different and that poverty, and sanitation, nutrition, and health problems are themselves forms of pollution that can best be overcome through development. An important part of the administration's grand design for national development and integration is the colonization of the huge Amazon region, and the ecological implications of this project are viewed as a distraction from achieving the main goal. Brazil's suspicion of pollution controls may derive in part from fear that international lending agencies may adopt stricter environmental standards for projects they finance, thus adding to borrowing costs--and to Brazil's already large foreign debt.

12. Brazil has refused to sign the Nuclear Non-Proliferation Treaty on the grounds that it might limit the future development of nuclear energy resources--including explosive devices--for peaceful purposes. The post-1964 administrations have maintained that the treaty imposes restrictions on the non-nuclear countries in order to perpetuate the privileges of the "nuclear club."

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Greater Attention to Latin America

13. Brazil traditionally has been rather aloof from Latin American nations not its immediate neighbors. In 1971, however, the foreign minister--with Medici's backing--began a campaign to strengthen Brazil's influence in the hemisphere and to expand its export markets. Administration spokesmen have insisted that they are not trying to exert continental leadership, but only to improve relations so that Brazil can exert influence appropriate to its size and progress.

14. Several factors have led the Brazilians to believe that this is an exceptionally favorable time to expand their horizons. One frequently cited reason is the lowering of the US profile in Latin America. A leading Sao Paulo newspaper has asserted that "there is in this situation an incontestable advantage for Brazil, for it offers an additional and external argument for the powers of the region to assume at last the leadership that has always been theirs by natural right." A second factor is a belief that other Latin American countries can now support Brazil as a spokesman for the developing world on economic issues.

15. In this regard, an important goal of Foreign Minister Gibson Barboza during his travels has been to secure additional support for Brazil's stand on issues such as the territorial waters claim and opposition to import limitations by industrial nations. The Brazilians also want to capitalize on their economic progress to influence events in some neighboring countries. The administration first invited the Peruvian foreign minister to Brazil. The Brazilians considered the visit highly successful and were reassured that Peru's military-directed "revolution" was home-grown, rather than foreign-inspired.

16. The Medici government marks five Latin American countries--Argentina, Bolivia, Uruguay,

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Chile, and Cuba--for special interest because of the potential problems they pose for Brazil's leadership aspirations and--in some cases--for its national security.

17. Argentina traditionally has been Brazil's main rival for primacy in South America, and relations have often been strained. The situation seemed to improve after the military took control in Argentina in 1966.

[redacted] in 1970 the Argentine Army chief of staff visited Brazil. Since mid-1971, however, official relations have cooled. The Argentines have been irritated by Brazil's plans to build large dams on rivers that flow into Argentina, by the perennial unfavorable trade balance with Brazil, and by Brazil's undisguised attempt to increase its prestige in Latin America. For their part, the Brazilians are particularly suspicious about Argentine President Lanusse's political dealings with the Peronists and his attempts to improve relations with Chile, as exemplified by his two meetings with Salvador Allende. Medici was very reluctant to invite Lanusse for a state visit last March and was displeased that the Argentine President violated a tacit agreement not to raise sensitive issues between the two countries in public.

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18. Brazilian officials were deeply troubled by the leftist trend of the regime of General Juan Jose Torres in Bolivia, and they were delighted by his overthrow by Colonel Hugo Banzer last August. The Brazilian military had supplied some small arms and supplies to the Banzer forces during the struggle for power, and once Banzer came to power, the Medici government recognized the new regime immediately. Brazil has provided Bolivia with modest economic assistance and military materiel and training, and is likely to give more as a result of the meeting between Medici and Banzer on 4 April. The Brazilian military's efforts to ingratiate itself with the Bolivians have disturbed the Argentines, who traditionally have exercised a strong influence on the Bolivian services.

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19. The Medici administration has also been very concerned over its small southern neighbor, Uruguay. In 1971, Brazilian officials became convinced that they had to help Uruguayan President Jorge Pacheco improve his country's economic and security situation in order to minimize the chances that a Marxist coalition would win in the national elections. Brazil provided some economic credits

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The defeat of the Marxist coalition eased the Brazilians' immediate concern, but they will continue to observe developments in Uruguay with great care.

20. The Medici administration considers that the governments of two Latin American countries--Chile and Cuba--are "beyond the pale." It is convinced that Fidel Castro continues to interfere in the affairs of several Latin American countries--including Brazil--by exporting subversion and terrorism, and Medici has ordered firm opposition to any attempt to return Cuba to the inter-American system. The Medici government believes that the Allende regime in Chile represents a dangerous political trend that could spread to neighboring countries and that subversives from Brazil and other countries are being trained in Chile. The Brazilians also probably consider Chile a potential rival for influence among developing nations.

#### Brazil and the US

21. Many Brazilians regarded the official visit of President Medici to Washington in December 1971 as formal recognition of their country's growing world status. Administration officials and the press emphasized that Medici made the trip at the invitation of the US Government and that he did not ask for anything for Brazil. Medici and other senior officials welcomed President Nixon's characterization of the trip as an opportunity to confer with Medici as part of a series of discussions with chiefs of state of major nations.

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22. The Medici administration's relations with the US are based on close cooperation on international political issues and rigorous protection of Brazil's economic interests. His government has been able to pursue this course largely because Brazil's economic growth has greatly lessened the country's need for US assistance. At the same time, the Brazilians recognize that the continued success of their economic development programs requires considerable outside capital and technology and that the largest single available source of both is the US. The leadership has put greater emphasis on attracting US private investment than on US Government assistance. US direct investment and re-investment, an estimated third to half of all foreign investment, rose by \$200 million in 1970 to 1.8 billion, and may now have reached \$2 billion. The administration is confident that the country can absorb the growing foreign investment without endangering ultimate Brazilian control over the economy, but, nevertheless, some influential Brazilians are worried about the large role of foreign--especially US--capital in the economy. They point out that while foreign investment does not account for more than five or six percent of Brazil's capital base, foreign firms have almost one third of the market in the dynamic manufacturing sector, and about 70 percent in key industries such as automobiles and pharmaceuticals. These Brazilians are also worried about the mounting cost of foreign investment in terms of remittances for dividends and interest. They would like the government to impose further controls on foreign investments. Some US firms are now taking steps, such as selling stock in the Brazilian market, in order to acquire a measure of "political protection" should the present bright investment climate darken.

23. The main sore points between Brazil and the US involve Brazil's claim to a 200-mile territorial waters limit and its desire to export to the US on the best possible terms. Although Brazil has attempted to avoid a collision with the US on the

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waters issue, and has signed an agreement aimed at a temporary solution of the fishing dispute, the administration has not retreated from its position that its claim is a legitimate sovereign act.

24. Over the past several years, Brazilian governments have privately expressed deep disappointment over the hesitancy of the US to sell certain types of military aircraft and other arms to Brazil. The officers say that what they cannot get from the US they will acquire elsewhere. (Brazil, on one occasion, turned to France to obtain supersonic jet fighters the US would not make available.)

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The military equipment issue is likely to be a continuing source of friction.

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#### Beyond the Hemisphere

25. Brazil's relations outside the Americas are directly related to its twin goals of achieving economic development and of becoming a spokesman for the developing world. In Europe, the administration is primarily interested in protecting Brazil's exports from tariff barriers and in obtaining investments and scientific and technological cooperation. Brazil's only "special relationship" in Europe is with its mother country, Portugal. The Medici administration has shown its interest in strengthening ties with Lisbon by signing a bilateral convention in 1971 on equality of rights and duties of citizens of the two countries and by inviting Portuguese President Thomaz and Prime Minister Caetano to take part this year in the celebration of the 150th anniversary of Brazil's independence. At the same time, Brazil wants to make sure that its ties with Portugal do not detract from Brazil's image in black Africa.

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26. In most countries of Asia and Africa, Brazil has engaged in little more than "flag diplomacy." An exception is Japan, which merits particular attention because of its impressive post-war economic record and its important social and economic contributions to Brazil; Brazil has the world's largest Japanese community outside of Japan and is one of the two largest recipients of Japanese foreign investment. Africa will receive more attention during 1972. Gibson Barboza is scheduled to visit Senegal, Ivory Coast, Ghana, Togo, Dahomey, Nigeria, Cameroon, and Zaire. Brazil's interest is whetted because African countries make up about one third of the UN membership; because, as producers of coffee and cacao, they share important economic interests with Brazil; and because they are a potential market for industrial exports. Gibson Barboza will try to impress the Africans with Brazil's stature in the developing world and will seek support on issues such as the 200-mile claim. Brazil has already agreed in principle to contribute \$2 million to the multi-national Fund for African Development and to extend a \$20-million line of credit to the African Development Bank to finance imports of Brazilian products.

27. The Medici administration does not want political issues and animosity to get in the way of normal trade relations with Communist countries. Communist officials are aware of Brazil's hostility to their ideology, but they are anxious to maintain what political relations exist and therefore approach any bilateral issue with extreme caution. Brasilia continues to rebuff any attempts by the Communist nations to increase their diplomatic establishments or to expand cultural ties, but the administration is including Communist countries in its over-all export promotion campaign. Economic officials believe that trade with Communist countries could be increased considerably from the present six percent of Brazil's total trade. The administration is likely to accept at least some offers by Communist countries, particularly the USSR, of

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equipment and technical assistance for economic development projects, notably in the hydroelectric area, if these countries agree to take more Brazilian exports.

28. The administration does not now intend to establish diplomatic ties with Peking, but unofficially is working to increase sales to China. Peking bought at least 100,000 tons of sugar in March, and contracts for more sugar and for other commodities including jute and cotton are likely to be signed soon. No decision has been made on the complex and sensitive question of whether to establish formal trade relations with China.

29. In recent years, Brazil has been willing to present and defend its positions in international bodies like the UN and the OAS. In his address to the UN General Assembly in September 1971, Gibson Barboza maintained that the political bipolarization of the world was being displaced by another type of bipolarization: that between nations that possess economic, scientific, and military power and those condemned to be spectators or proteges of power. Gibson Barboza suggested that one of the UN's principal contributions to breaking down this new polarization would be to work for a peace based on general and complete disarmament and on the eradication of underdevelopment. He called for the international community to accept the concept of collective economic security and said that in pursuit of this goal developed nations should abandon trade barriers and aid developing countries to eliminate inequalities in their growth. Gibson Barboza noted that Brazil was already moving to assume its responsibilities toward the least developed countries. He also reiterated that the UN must recognize the right of each country both to protect and exploit its resources in accord with its interests and priorities and to determine the extent of its sovereignty over land and sea resources.

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30. In February 1971, Gibson Barboza demonstrated Brazil's willingness to take an independent position in the OAS by walking out of a meeting of the General Assembly after that body had failed to support a Brazilian move for a broad treaty defining terrorism. Rather than be a party to a treaty applicable only to crimes against diplomats, Gibson Barboza chose to withdraw and to raise the terrorism issue later in private meetings with other foreign ministers.

Trends and Prospects

31. Some general trends in foreign policy are not likely to be changed by the Medici government and its successors. The view of Brazil as a leading member of the developing nations has become widely accepted; future administrations will aspire to raise Brazil's standing to the front rank of nations.

32. As long as the economic and political situations remain favorable, Brazil will continue to expand its international involvement. Medici is likely to increase his personal hand in the diplomatic offensive; he has already met with the presidents of the US, Argentina, Bolivia, Colombia, Uruguay, and Portugal, and is scheduled to meet with the Venezuelan chief executive later this year. There will be added emphasis on strengthening ties with other Latin American countries; the minister of planning recently announced that Brazil was ready to offer technical assistance to Latin American nations requesting it. A similar initiative is being made to African countries.

33. Medici, and most others who might lead Brazil during the next few years, recognize that Brazil and the US share many political interests. Both have vital interests in regional security and in peaceful relations within the inter-American system. On issues such as US moves to counter Communist subversion in the hemisphere and US actions in areas of peripheral concern to Brazil, the Medici

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regime still seems willing to support the US as the leader of the free world. On economic matters, however, US and Brazilian interests are increasingly divergent, and this has given rise to suspicion of US motives by some Brazilians. US scientific exploration of the ocean off Brazil has been interpreted as "technological reconnaissance." Suggestions by the US that Brazilian authorities examine the potential benefits of limiting population growth or controlling pollution are judged by some Brazilian officials as efforts to hamper rapid economic development. Even in areas where the administration wants to cooperate closely with the US, such as suppressing the narcotic traffic, Brazilian officials are extremely watchful for anything that could be considered a potential infraction of national sovereignty.

34. The Medici regime now is strong and confident, and sees no need to call on strident nationalism or anti-Americanism to reinforce its popular base. However, some elements in the military and the society in general advocate a more rigidly nationalistic line. A severe economic downturn could cause the present administration or its successor to appeal to these groups by adopting a more nationalistic course. If this should happen, the issue of the size and influence of US investment could dwarf present differences between the two countries.

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